principally, Pell Grants--has been reduced by about 13 percent. Programs serving elementary and secondary school students have also been affected; funding for compensatory education for disadvantaged students has been reduced by about 17 percent as a result of legislative changes, for example.

Although there were substantial reductions in some income security programs as a result of the legislative changes of the last few years, these changes on average have not been as large in percentage terms as the reductions in employment, social services, and education programs. In general, projected outlays for the means-tested income security programs, particularly those serving primarily a non-elderly population, have been reduced by a larger percentage than expenditures in the non-means-tested and retirement programs. In percentage terms, the largest reductions in this area--about 28 percent of outlays--took place in the child nutrition programs, which provide subsidies for school lunches and other meals for children. The Aid to Families with Dependent Children (AFDC) and Food Stamp programs were each reduced by about 13 percent as a result of program changes that restricted eligibility and lowered benefits for some recipients. Unemployment Insurance (UI) benefits were also reduced overall for the projection period, largely as a result of changes in the rules governing the provision of benefits after 26 weeks. Special Federal Supplemental Compensation (FSC) benefits were granted for UI recipients in

1983, however, increasing outlays for UI in 1983 by $3 billion compared to what they would have been under the revised 1981 baseline.

The health-care area experienced smaller reductions overall as a result of the legislative changes. The two biggest programs, Medicare and Medicaid, were each reduced by about 5 percent relative to the revised 1981 baseline. These changes generally affected hospitals, other health care providers, and states more than beneficiaries. Outlays for health services previously funded under the Health Services Administration, however, are about 22 percent below the revised 1981 baseline estimates.

Finally, the retirement and disability programs experienced the smallest percentage reductions, as a group, of those considered in this memorandum. Since total outlays for these programs, especially Social Security, are so large, however, the dollar amounts of the reductions in this area are as large as those in employment programs. Both Social Security and Civil Service Retirement (CSR) were reduced by about 3 percent relative to the revised 1981 baseline estimates, and the veterans' compensation and pension programs, which provide benefits for disabled veterans and for low-income elderly and disabled veterans respectively, were reduced by a total of about 1 percent. In spite of these small percentage reductions, however, net savings as a result of legislative changes in this area total nearly $26 billion over the years 1982-1985.

In considering the impacts of the legislative actions outlined above, it is important to bear in mind that the estimates shown here represent only the total differences between the revised 1981 baseline and the current baseline for each program or set of programs. In some cases, these differences may result from several sets of legislative changes, which may have had offsetting effects. Also, the 1981 baseline is simply an estimate of what total spending for each program would have been under the laws that existed in 1981; it does not in any sense represent an optimal spending level for these programs. To understand better the impacts of the program modifications enacted in the last two years on families and individuals, these changes are considered in more detail in the next section.

SECTION III. ANALYSIS OF CHANGES IN HUMAN RESOURCES PROGRAMS

Although legislative actions reduced projected outlays for almost all of the major human resources programs in the last two years, the sizes of the reductions varied considerably by program area, as Section II discussed. Within areas, too, there are some important differences in the program changes and in their impact on families and individuals. This section outlines the specific changes enacted in each of the major programs in five areas of the human resources budget. 1/

RETIREMENT AND DISABILITY PROGRAMS

Although the reductions enacted in retirement and disability programs were small in percentage terms, these programs account for nearly 60 percent of human resources spending considered here, and consequently even relatively small changes can generate large savings. 2/ Total spending

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1. Much of the discussion of individual program changes is based on information provided in Congressional Research Service, "Major Human Resources Programs: Summary and Analysis of Program and Funding Changes, FY 1970 to FY 1984" Report No. 83-77 EPW (March 25, 1983).

2. Because of data limitations, this memorandum does not consider every human resource program, but the programs included represent 96 percent of projected outlays for human resources in 1983.

for these programs was reduced by almost $26 billion for 1982-1985, accounting for almost one-fourth of the savings generated in the human resources programs considered here. Spending was reduced for all major programs except for SSI, in which outlays are projected to increase by about $1.4 billion during the period, primarily as a result of SSI benefit increases enacted as part of the Social Security Amendments of 1983. Table 5 summarizes both outlay projections and percentage changes relative to the revised 1981 baseline for retirement and disability programs. Details of the changes for each of the programs shown in Table 5 are presented below.

Social Security

Social Security is the largest of the human resources programs. In 1982, more than $154 billion was spent to provide cash benefits to about 36 million retirees, disabled persons, and their dependents and survivors. Social Security cash benefits are funded through two trust funds--the Old Age and Survivors Insurance (OASI) fund and the Disability Insurance (DI) fund. Taxes paid by workers in jobs covered by the Social Security system and their employers are deposited in the Social Security trust funds, and these funds are then used to pay benefits to current beneficiaries.

TABLE 5. RETIREMENT AND DISABILITY PROGRAMS--CURRENT BASELINE SPENDING PROJECTIONS AND PERCENTAGE CHANGES IN OUTLAYS AS A RESULT OF LEGISLATIVE ACTIONS, FISCAL YEARS 1982-1985

	Outlays (in billions of dollars) a/				
Programs	1982	1983	1984	1985	Total, 1982-1985
Social Security	154.1	169.8	179.9	191.4	695.2
Railroad Retirement	5.7	6.8	7.5	7.1	27.2
Civil Service Retirement	19.4	21.1	22.6	24.2	87.2
Veterans' Compensation	9.3	9.9	10.2	10.6	40.0
Veterans' Pensions	3.9	3.9	3.8	3.7	15.2
SSI	7.7	8.7	8.0	8.8	33.3
	Percentage Change in Outlays as a Result of Legislative Action Since 1981 b/				
Social Security	-1.0	-2.6	-4.4	-4.6	-3.3
Railroad Retirement	-5.0	-1.4	-1.3	-1.4	-2.2
Civil Service Retirement	-2.2	-2.7	-2.9	-3.4	-2.8
Veterans' Compensation	c/	-1.0	-1.0	-1.0	-0.8
Veterans' Pensions	--	-1.5	-2.5	-2.8	-1.7
SSI	+0.4	+0.8	+7.8	+9.0	+4.5

SOURCE: Congressional Budget Office.

NOTE: Components may not sum to totals because of rounding.

a. Reflects legislative changes made before July 31, 1983. Based on February 1983 economic assumptions.

b. The 1981 baseline, revised to reflect February 1983 economic assumptions, is used as the base for computing percentage changes.

c. Less than 0.05 percent.

Recently, however, outlays from the trust funds have exceeded their revenues. 3/ This has occurred as a result of several factors, including slow growth in wages during the recession and relatively rapid increases in benefits attributable both to the index used to adjust for changes in the cost of living and to high rates of inflation between 1978 and 1981. The trust funds had some reserves, which allowed them to continue to pay benefits even though outlays exceeded revenues, but without benefit cuts or additional income, the trust funds would have been unable to pay all benefits on time by the end of this year. The Social Security Amendments of 1983 were enacted to maintain the solvency of the funds.

The major change in Social Security outlays under the amendments is a six month delay in the COLA for Social Security benefits. Under the new law, COLAs will be payable in January instead of the preceding July, as they had been previously. This delay is projected to save about $9.7 billion in Social Security outlays between 1983 and 1985.

In addition, the amendments contained a number of provisions aimed at increasing trust fund revenues. These included an increase in the OASDI payroll tax for 1984 (with the employees'--but not the employers'--shares

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3. For further discussion of Social Security financing, see CBO, Financing Social Security: Issues and Options for the Long Run (November 1982) and Paying for Social Security: Funding Options for the Near Term (February 1981).

entirely offset by an equal credit against taxes); an increase in the OASDI tax rate for self-employed workers (also partially offset by a tax credit); taxation of 50 percent of the Social Security benefits received by married couples with incomes over $32,000 and by single persons with incomes over $25,000; 4/ and coverage of employees of not-for-profit organizations and new federal employees under the Social Security system. In all, the revenue provisions are projected to increase income to the OASI and DI trust funds by almost $40 billion in 1983-1985.

Some Social Security changes were also included in the Omnibus Budget Reconciliation Act (OBRA) of 1981. Under that act, benefits would have been reduced by eliminating the minimum benefit (received by those whose primary insurance amount was not more than $122 per month); phasing out benefits for dependents aged 18-22 who previously would have qualified for student benefits; modifying the provision of lump-sum death benefits; delaying the payment of benefits for new beneficiaries until their first full month of eligibility; eliminating benefits for widowed parents under age 60 when their youngest child reaches age 16 (rather than 18, as under prior law); and changing rounding rules for benefits. The last five of these provisions were enacted and remain law, but the minimum benefit was

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4. One half of recipients' Social Security benefits would be counted in income for the purpose of determining their tax liabilities. In the sense that this tax would directly offset benefits, it could be considered the equivalent of a benefit cut.

restored for current recipients under the Social Security Amendments of 1981. Nevertheless, the provisions that were enacted resulted in projected outlay savings of about $14 billion for the 1982-1985 period.

Civil Service Retirement

The Civil Service Retirement (CSR) system is the staff retirement and disability program for roughly 2.1 million federal civilian employees. 5/ In 1982, the system received $8.3 billion in contributions from these employees and their agencies, and it spent $19.4 billion, providing benefits to 1.8 million annuitants. Employees completing at least five years of federal employment may receive benefits, provided they meet certain eligibility criteria for retirement or disability and have made the required contributions.

Legislation enacted in 1981 and 1982 is estimated to have reduced CSR outlays by $2.5 billion over the 1982-1985 period. Although some savings resulted from such changes as rounding down benefits to the nearest dollar, paying benefits beginning with the first full month of retirement, and restricting early retirement benefits, modifications in the way benefits are indexed provided the bulk of the spending reductions. In 1981, the semi-annual COLAs that took place under prior law were replaced with COLAs that occurred only once a year, in March. The 1982 legislation delayed the

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5. In addition, there are about 600,000 postal workers covered under CSR.

COLA an additional month in each of 1983, 1984, and 1985, so that the 1985 COLA is scheduled for June of that year. Moreover, COLAs for retired annuitants under age 62 were limited to one-half of the full benefit increase. This change was effected, however, by setting the increases at one-half of the COLAs projected at that time, with the result that rates of 3.3 percent, 3.6 percent, and 3.3 percent were established for the 1983-1985 COLAs of early retirees. 6/

Railroad Retirement

The Railroad Retirement System is a federally mandated retirement system that covers railroad industry employees. At present, about 1 million persons receive railroad retirement benefits. Benefits are provided under a two-tier system--the first tier approximates a Social Security benefit, and the second tier is similar to an employer-provided pension. Benefits are funded through a trust fund and are paid for out of taxes collected from employers and employees in the railroad industry. In addition, benefits falling under a special provision covering those with entitlement to both Social Security and Railroad Retirement benefits before 1975 are funded out of general federal revenues.

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6. If the actual full COLA exceeded the levels projected in 1982, however, any excess would be paid to early retirees. For example, if the 1984 increase were 8.0 percent rather than the then-projected 7.2 percent, the increases for early retirees would be 4.4 percent rather than 3.6 percent.

Railroad Retirement benefit payments have exceeded income to the system for more than a decade, thus diminishing its reserves. Several changes were made in 1981 to increase the solvency of the system. These included an increase in taxes paid by railroad employers and employees that is projected to generate $2.0 billion in additional revenues between 1982 and 1985, and a modification to benefits that will reduce outlays by about $600 million. 7/

Veterans' Compensation

The Veterans' Compensation program provides benefits to veterans or their survivors for service-connected disabilities or death, and the amount of the benefit payment varies with the degree of disability. There are about 2.3 million veterans receiving benefits, which range from $62 per month for veterans with a 10 percent disability rating, to $1,213 for those with a 100 percent disability. 8/ Veterans who are at least 30 percent disabled also may be eligible for additional benefits if they have dependents. Benefits are not means tested.

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7. Changes enacted in August 1983 are not described here and are not reflected in the estimates of the impacts of legislative actions.

8. Higher benefits are provided to some veterans with certain service-connected disabilities.

Technical changes that slightly reduced benefit levels were enacted in the Veterans' Compensation program under OBRA. The principal changes were a delay in paying benefits until the beginning of the first full month after the benefit is approved, earlier implementation of reductions caused by changes in the status of dependents, and changes in rounding rules. In all, these reductions are estimated to save about $310 million in outlays between 1982 and 1985.

Veterans' Pensions

The Veterans' Pension program provides cash benefits to low-income aged and disabled veterans who served during wartime, and to their dependents and survivors. About 1.8 million persons receive benefits. Benefits are means tested; the maximum annual benefit level is currently $5,328 for veterans with no other income and no dependents, for example, and $8,786 for those with no other income and three dependents. Unlike Veterans' Compensation benefits, Veterans' Pensions have an automatic COLA provision comparable to Social Security's. 9/

The technical changes in Veterans' Compensation enacted under OBRA were also applied to the Veterans' Pension program, reducing projected outlays by about $130 million over the 1982-1985 period. In addition, the

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9. Although Veterans' Compensation benefits are not indexed and thus do not rise automatically as prices rise, they have been increased from time to time to adjust for the effects of inflation.

six-month COLA delay in Social Security enacted under the 1983 amendments also applies to Veterans' Pensions; this will reduce projected outlays by another $130 million for a total savings of $260 million over the 1982-1985 period.

Supplemental Security Income

The SSI program provides cash benefits to low-income aged, blind, and disabled persons. Almost 4 million persons receive SSI benefits. The federal government provides a basic benefit guarantee, which states may supplement. Almost all states provide supplements in at least some cases, but in many states, these supplements are limited to a relatively small proportion of recipients. About 40 percent of recipients receive some state supplement, and the federal government pays about 80 percent of all benefit costs. The federal benefit received by eligible persons with no other income is $304 a month for an individual and $456 a month for a couple.

Legislative changes in SSI were minor in 1981 and 1982 compared to those in other means-tested programs. Changes under the 1982 Tax Equity and Fiscal Responsibility Act (TEFRA) included rounding down of benefits, prorating of the first month's benefits based on the date of application, and changes in the way Social Security COLAs are treated in the income computation for SSI. In total, these changes reduced projected outlays for 1982-1985 by under $200 million, or less than 1 percent of program outlays.

The Social Security Amendments of 1983, however, will increase SSI outlays. The COLA delay enacted for Social Security and Veterans' Pensions also applies to SSI, and this is projected to reduce outlays by about $400 million in the next three years. This is more than offset, however, by an increase in SSI benefits of $20 per month for single persons and $30 per month for married couples also enacted as part of the amendments; 10/ this provision is projected to increase SSI outlays in 1983-1985 by about $1.8 billion. Finally, the amendments require the Social Security Administration to notify certain Social Security recipients of their possible eligibility for SSI; this is projected to bring new beneficiaries into the program and to raise outlays by about $150 million over the next three years.

OTHER INCOME SECURITY PROGRAMS

Spending for income security programs other than those providing retirement and disability benefits makes up slightly more than 15 percent of the human resources spending considered here, and these programs account for about one-fourth of the outlay reductions resulting from legislative changes since 1981. Reductions in this area are projected to total about $27

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10. The National Commission on Social Security Reform recommended achieving this benefit increase by raising the amount of other income "disregarded" when calculating SSI benefits. In contrast to the one adopted, this approach would have increased benefits for most, but not all, SSI recipients.

billion over the 1982-1985 period. For the most part, these programs serve low-income families that do not have elderly or disabled heads of household, although the elderly and disabled make up a substantial part of the case load in a few programs--Food Stamps and housing assistance, for example. The only program in this group that is not means tested is the Unemployment Insurance (UI) program. Table 6 shows projected outlays for the seven programs in this group, and the percentage changes enacted in each. These changes are examined in more detail below.

Unemployment Insurance

The Unemployment Insurance system is designed to provide benefits that partially replace wages lost to workers who have recently become unemployed. Benefits are financed through payroll taxes paid by employers, and each state determines its own tax structure (within federal guidelines). States also determine weekly benefits, which are a fraction of each worker's former wage rate up to a maximum level that varies by state. Although benefits in each state are paid out of taxes collected in that state, outlays for benefits appear as part of the federal budget because both tax collections and benefits flow through the Unemployment Trust Fund. In addition, states may borrow from the federal government to pay benefits if their own balances in the trust fund become too low.

TABLE 6. OTHER INCOME SECURITY PROGRAMS--CURRENT BASELINE SPENDING PROJECTIONS AND PERCENTAGE CHANGES IN OUTLAYS AS A RESULT OF LEGISLATIVE ACTIONS, FISCAL YEARS 1982-1985

Programs	1982	1983	1984	1985	Total 1982-1985
	Outlays (in billions of dollars) a/				
Unemployment Insurance	23.8	31.0	26.0	24.6	105.4
AFDC	8.0	8.2	8.3	8.4	32.9
Food Stamps	11.0	12.5	12.3	12.5	48.3
Child Nutrition	3.0	3.2	3.4	3.6	13.3
WIC	0.9	1.2	1.2	1.2	4.5
Housing Assistance	7.9	9.4	10.1	10.9	38.3
Low-Income Energy Assistance	1.7	2.0	2.1	2.2	7.9
	Percentage Changes in Outlays as a Result of Legislative Actions Since 1981 b/				
Unemployment Insurance	-4.0	+10.7	-14.8	-17.6	-6.9
AFDC	-9.9	-13.0	-13.5	-14.0	-12.7
Food Stamps	-12.2	-9.7	-14.2	-14.1	-12.6
Child Nutrition	-24.3	-28.8	-29.0	-28.5	-27.7
WIC	-4.9	+10.5	+7.0	+4.3	+4.4
Housing Assistance	--	+1.2	-4.3	-11.5	-4.4
Low-Income Energy Assistance	-7.0	-7.6	-8.6	-9.7	-8.3

SOURCE: Congressional Budget Office.

a. Reflects legislative changes made before July 31, 1983. Based on February 1983 economic assumptions.

b. The 1981 baseline, revised to reflect current economic assumptions, is used as the base for computing percentage changes.